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ABSTRACT

This study examined the extent to which presidents of independent colleges of the Southern Association of Colleges and Schools commissioned economic impact studies and their views on the usefulness of such studies. Seventy-three presidents completed a survey questionnaire in the spring of 1997. Responses indicated that 21 schools had conducted an economic impact study in the last 3 years, and that 86 percent of the presidents of these schools indicated that the studies were very useful. Additionally, 61.9 percent of these institutions indicated that they planned to conduct another study in the next 3 years. In contrast, of the remaining 52 institutions that had not conducted an economic impact study in the last 3 years, only 46 percent indicated that they planned to conduct a study a study in the next 3 years. Correlation analysis indicated that larger institutions tended to conduct such studies more often than smaller institutions. It is recommended that smaller institutions consider conducting joint economic impact studies with neighboring institutions or peer/affiliated institutions, and that smaller institutions periodically outsource this research activity to consultants. Two appendixes contain a copy of the survey and data tables. (Contains 13 references.) (MDM)

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PRESIDENTS OF INDEPENDENT COLLEGES AND UNIVERSITIES JUDGE THE USEFULNESS OF THE ECONOMIC IMPACT STUDY

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EXECUTIVE SUMMARY

For over 30 years, institutions of higher education have used the economic impact study for two purposes: (1) to communicate to a wide variety of audiences (the public, students and parents, alumni, supporters, business leaders, civic groups, legislators, and the media) the monetary benefits of the institutions and (2) to support institutional management and institutional advancement. Although the economic impact study generates a variety of data, it commonly offers an estimation of an institution's annual influence on the local economy, and the resulting infusion of new money into the local economy, gained from:

- Operational expenditures for payroll, supplies, and services.
- Cost-of-living expenditures by out-of-area students.
- Cost-of-living expenditures by resident students who would have left the local service area if the institution did not exist.
- Spending by visitors who come to see the institution or participate in sporting events, cultural events, continuing education offerings, etc.
- Spending by visitors, such as parents and friends, who come to see resident students.
- Economic contributions from local alumni who have enhanced income because of their prior enrollment at the institution.

However, a recent review of economic impact studies included in the online database of the Educational Resources Information Center (ERIC) demonstrated that there is an extreme disparity between public institutions and independent institutions issuing the studies, i.e., only 14 percent of the identified studies focused on the economic contributions of an <u>independent</u> institution (N = 4, with 2 of the 4 studies from an independent institution accredited by the Southern Association of Colleges and Schools [SACS]). The other 86 percent (N = 24) represented studies from <u>public</u> institutions. This search indicated that independent institutions did not regularly engage, or publish, in this activity for a variety of reasons, possibly because the schools did not have the enrollment and, subsequently, the resources needed to support this type of research.

The purpose of this study was to determine the extent to which presidents of the 324 SACS-accredited independent postsecondary institutions commission economic impact studies and, correspondingly, view the usefulness of economic impact studies. This study focused on differences between presidents at institutions that <u>had</u> recently conducted an economic impact study and their counterparts at institutions that <u>had not</u>.

To obtain a representative sample for the survey associated with this study, the invited sample of presidents of 175 independent institutions was generated through a random selection process by listing institutions in ascending order by Fall Term 1995 enrollment. Beginning with the 15th institution on this ranked listing, every 10th institution was selected until a list of 175 institutions was compiled.

The survey, cover letter, and accompanying stamped return envelope were mailed to the sample on February 14, 1997. The survey response rate was 41.7 percent (N = 73 of 175). The median Fall Term 1995 enrollment of institutions from the population was 1,091 students, and the median Fall Term 1995 enrollment of institutions returning the survey was 1,018 students. Because selection was based on Fall Term 1995 enrollment, there was sufficient evidence that the responding sample was representative of the population and that outcomes were reflective of all institutions in the population.

Responses showed that 21 of the schools had conducted an economic impact study during the last three years. Of these institutions (median enrollment = 2,142 students), 95 percent (N = 20 of 21) responded to the statement *Please indicate the usefulness of the economic impact study*. Using a Likert scale of 1 (Not Useful) to 5 (Useful), 86 percent of all respondents rated the usefulness of an economic impact study as either a "4" or a "5." Additionally, 61.9 percent of these institutions indicated they planned to conduct an additional economic impact study in the next three years. In contrast, of the remaining 52 institutions that had not conducted an economic impact study in the last three years (median enrollment = 768 students) only 46.0 percent indicated they planned to conduct an economic impact study in the next three years.

Because the enrollment of an institution was perceived to influence the allocation of resources needed to conduct an economic impact study, correlation analyses were conducted on five of the ten survey statements. These analyses indicated that as an institution increases in enrollment it also increases in the expertise of local employees able to conduct an economic impact study ($p = .02$). All other correlations failed to show significance (alpha $\leq .05$), indicating that institutions shared similar views on the value of economic impact studies as being quite positive, regardless of size.

To promote economy of scale and remedy the problems of personnel and resources that smaller independent institutions face as they attempt to engage in the same type of activity that larger independent and public institutions can more easily implement, it was recommended that smaller institutions conduct joint economic impact studies with neighboring institutions or peer/affiliated institutions. Because this study shows that key decision-makers view the economic impact study to be useful, staff time and resources needed for this activity may be increased.

It was also recommended that smaller institutions periodically outsource this research activity to consultants. Outsourcing to an independent third party brings a degree of detached

objectivity to an economic impact study, and, therefore, further enhances acceptance of outcomes by the public and the media.

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BACKGROUND ON THE HISTORY OF THE ECONOMIC IMPACT STUDY IN HIGHER EDUCATION

America's institutions of higher education are widely known for their commitment to teaching, research, and involvement in local communities. Increasingly, these educational institutions are also known for their impact on local labor markets, by increasing both the skills and earning opportunities of local workers in addition to the general level of human capital which results in increased local productivity (Beeson & Montgomery, 1993). Bleaney, Binks, Greenway, Reed, and Whynes (1992) also discussed the ability of educational institutions to induce migration into a region thereby attracting, and not only training or retraining, skilled labor.

During the 1960s, higher education had unprecedented growth and concomitant funding by local and state governments for public institutions. However, as enrollments leveled and public funding became highly competitive, higher education found it useful to promote the many contributions of an institution to a local community, including the impact of higher education on local and state economies as a justification for public support. Accordingly, an economic impact study was viewed as a useful communication tool for this purpose.

Although a few economic impact studies from the 1960s are found in the literature (Merchant, 1969), most institutions simply did not have the expertise needed to prepare this extensive undertaking. Accordingly, from 1966 to 1968, the American Council on Education's Commission on Administrative Affairs engaged in discussions and prototyping of a model economic impact study, using methodologies feasible for most institutions (Caffrey & Isaacs, 1971, p. xi). Formative communications with the profession were used to elicit feedback and support for Caffrey and Isaacs' work (*ACE Economic Impact Study Relates College to Community in Dollars and Makes Sense*, 1970). By 1971 the model was in final form and Caffrey and Isaacs' text *Estimating the Impact of a College or University on the Local Economy* (1971) has been widely accepted by the higher education community as the *de facto* model to use when preparing an economic impact study. Alternate views on methodology by Ryan (1985) and Bluestone (1993), although used, are still based on Caffrey and Isaacs' basic input-output model on how an educational institution impacts local and state economies.

ROLE OF AN ECONOMIC IMPACT STUDY IN INSTITUTIONAL MANAGEMENT

Regardless of the selected methodologies, an economic impact study can serve a variety of useful services. Initially, an economic impact study can be used to identify an institution's contributions to a regional and state economy. However, when prepared within the vision of educational accountability, an economic impact study can also be a useful planning tool that links budgeting and financing to measures of institutional effectiveness used to support professional and regional accreditation. Serving as a pervasive tool in institutional planning and governance, an economic impact study can be used as follows:

- To broaden community understanding of how an educational institution benefits a local service area's business and service activities, in addition to making educational and social contributions.

- To guide planning and decision-making activities, showing the impact of decisions on various sectors of the local and state economy.

- To assist in the fiscal management of an institution by identifying spending patterns, including:

    - The amount and location of economic activity by the institution, employees, and students.

    - Types of products and services purchased.

- To document the incidence and spending activities of visiting parents, friends, participants in continuing education courses, sports, cultural activities, and other events that import secondary money into the local area.

INSTITUTIONAL ADVANCEMENT THROUGH USE OF AN ECONOMIC IMPACT STUDY

An economic impact study can be used as more than a management tool. An educational institution can use an economic impact study to educate the public, students and parents, alumni, supporters, business leaders, civic groups, legislators, and the media on a variety of key issues affecting the fiscal health of the institution. Serving as an institutional advancement tool, an economic impact study can also be used as follows:

- To trace an institution's expenditures in the local community and throughout the state.

- To identify the number and types of jobs at the institution and the resulting spin-off jobs created by the institution's contributions to the local and state economy.

- To gain a sense of the volunteer contributions of the school and its employees and students to activities such as Special Olympics, United Way, tutoring, use of library facilities by community members, etc.

- To identify government grants and appropriations to a school for calculating a specific return-on-investment to taxpayers.

- To communicate to alumni, business leaders, and legislators factual information that goes beyond academics, such as payroll, institutional scholarships, permanent residence of students, etc.

- To quantify contributions from women and minorities.

- To assess the long-term economic and social contributions of alumni who remain in the institution's service area as employed, tax-paying citizens.

- To identify private support, gifts, and contributions to the college or university and their residual impact.

PROBLEM STATEMENT

For more than 30 years, higher education used the economic impact study to assist in budgeting, management, and institutional advancement. An economic impact study, when carefully prepared, presents a highly positive image of an educational institution to the public, students and parents, alumni, supporters, business leaders, civic groups, legislators, and the media. These studies are valuable tools for communicating the monetary day-to-day and long-term values of postsecondary education.

However, based on a recent review of the literature, there is an extreme disparity between public institutions and independent institutions in the number of economic impact studies, as reflected by a search of the online database of the Educational Resources Information Center (ERIC). A recent query for all economic impact studies of American postsecondary institutions in the ERIC database from January 1990 to April 1997 identified only four (14 percent) of 28 studies to be from independent institution.

Independent postsecondary institutions (N=2,047) represent 56 percent of all two-year (N=437) and four-year institutions (N=1,601) of higher education in the United States, yet these independent institutions collectively represent only 22 percent of all enrollment in higher education (*The Chronicle of Higher Education Almanac*, 1996, p. 3). Referring to the 28 institutions who had an economic impact study identified in the ERIC database between 1990 and April 1997, the median Fall Term 1995 enrollment of the public institutions was 11,533 students whereas the median Fall Term 1995 enrollment of the independent institutions was 6,297 students. Decidedly, in terms of enrollment, the public institutions have a larger support base than their independent counterparts and they are able to use this base to develop staff and, in turn, engage in a variety of supplementary activities, such as the preparation of an economic impact study.

The disparity between public institutions and independent institutions in enrollment and, subsequently, funding has far reaching effects. As an example, in the 11 states represented by the Southern Association of Colleges and Schools (SACS), over 80 percent of the 324 regionally accredited independent postsecondary institutions had Fall Term enrollments of less

than 2,500 students. The median Fall Term 1995 enrollment of these institutions was 1,090 students. In a recent study of independent education in Florida (MacFarland, 1996), student tuition was responsible for nearly 70 percent of all revenue for the 22 institutions associated with *The Independent Colleges and Universities of Florida*. The same study found that approximately 75 percent of all expenses at these independent institutions was devoted to instruction, student support, scholarships, and academic support.

Because independent postsecondary institutions tend to have limited enrollments, and because they are also so heavily tuition dependent for revenue, many independent institutions possibly find it difficult to allocate the fiscal resources needed to hire full-time staff who are able, or have the needed release time, to conduct rigorous economic impact studies. Thus, although these institutions make significant contributions to local communities, they are unable to capture this information and communicate it to those who influence higher education governance and appropriations.

PURPOSE OF THIS STUDY

Based on the review of economic impact literature in the ERIC database, as well as other resources, it was observed that most economic impact studies were conducted either by public institutions or by the few independent institutions with large enrollments. The purpose of this study was to determine the extent to which presidents of independent postsecondary institutions commission economic impact studies and, correspondingly, how these presidents view the usefulness of economic impact studies. Attention was given to differences between presidents of institutions that had recently conducted an economic impact study and their counterparts that had not and possibly lacked current knowledge of this tool. In turn, a better understanding of how key decision-makers view the usefulness of the economic impact study may lead to allocation of staff time and resources for this activity.

ASSUMPTIONS

This study was limited in focus to a query of presidents of regionally accredited independent postsecondary institutions located in states represented by SACS: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia. It is assumed that the results of this study can be extrapolated to independent postsecondary institutions in other regional accreditation associations and states in the United States.

Surveys were mailed to the attention of the president of each institution included in the invited sample. In cases were the president delegated survey completion to a subordinate, it was assumed that responses reflect the judgment of the president.

It is certainly known that the ERIC database does not include an exclusive collection of all economic impact studies. Some studies are never submitted to a database and other studies are submitted to alternate resources. Even so, it is assumed that the ERIC database contains a

wide selection of economic impact studies and the studies in this database reflect higher education institutions in terms of public/independent control and enrollment.

METHODOLOGY

Survey Instrumentation

To promote a high return percentage, the survey was designed so that it would be easily completed in ten minutes or less. As such, responses required only a simple check-off to a limited number of selections.

The first section of the survey (statements 1 to 5) queried respondents on their recent involvement with an economic impact study. These responses were used to compare assessments between presidents (or their assigned representatives) of institutions that had conducted an economic impact study in the last three years (either individually or in collaborations with other institutions) and those presidents (or their assigned representatives) of institutions that had not conducted an economic impact study in the last three years (either individually or in collaborations with other institutions).

The second section of the survey was worded to query respondents on external and internal issues that could possibly impact the decision to justify the allocation of resources needed to prepare an economic impact study. These issues included::

- Community understanding of the local monetary benefits of an independent institution.
- Linkage of an economic impact study to institutional planning and decision-making activities.
- Usefulness of an economic impact study with fiscal management.
- Expertise of local employees to conduct an economic impact study.
- Linkage of an economic impact study to identification of institutional effectiveness measures.

The last part of the survey served as a means of asking for institutional identification so that the executive summary of this report could be shared with survey respondents. This section, not the postmark on the returned envelope, was used as the source of information for name and state of each responding institution.

Population and Sampling

The population for this study consisted of presidents of the 324 regionally accredited independent postsecondary institutions represented by SACS. To obtain a representative sample for the survey associated with this study, the invited sample consisted of presidents at 175 independent institutions (Isaac & Stanley, 1981, p. 193). The following procedures were used to obtain the invited sample of 175 presidents:

1. The 324 regionally accredited independent postsecondary institutions in the 11 states represented by SACS were listed in ascending order, based on Fall Term 1995 enrollment, the last reporting year for which Integrated Postsecondary Education Data System (IPEDS) data are currently available to the public. This listing ranged from 28 to 13,941 enrolled students.

2. A random numbers table (Glass & Hopkins, 1984, p. 528) was used to select two random numbers, n_1 and n_2. The number selected from the random numbers table was **82**, which first led to the selection of the eighth number in the table from a random starting point ($n_1 = 15$) and then the selection of the second number in the table ($n_2 = 10$).

3. Using the list of independent institutions ordered in ascending Fall Term 1995 enrollment, the selection process began with the independent institution that first matched the random number n_1. From this first selection, every n_2^{th} institution was selected and placed into a separate listing until 175 of the 324 SACS-accredited institutions were selected.

4. Mailing labels were created for the 175 institutions selected and placed in the separate listing.

By using a selection process that was based on random selection by enrollment, instead of random selection from an alphabetical sort of institutions, it is reasonable to think that the invited sample was representative of the population in terms of student enrollment, with variance in enrollment dispersed equally throughout the invited sample.

The survey packet included the survey instrument, cover letter, and accompanying stamped return envelope (APPENDIX A). On February 14, 1997, a survey packet was mailed to the president of each institution included in the invited sample.

RESULTS

The survey response rate was 41.7 percent. Completed surveys were returned by 73 of the 175 institutions in the invited sample. As presented in Table 1 (tables are presented in APPENDIX B), surveys were received from each of the 11 states represented by SACS.

Although each of the 11 states was represented in the responding sample, it should be recalled that the invited sample was based on Fall Term 1995 enrollment statistics and not geographic entity. Accordingly, statistics presented in Table 2 provide sufficient evidence that the responding sample was indeed representative of the population:

- The median Fall Term 1995 enrollment of all 324 institutions representing the population was 1,091 students. The median Fall Term 1995 enrollment of the 48 responding institutions that could be identified by name was 1,018 students.

- The mean Fall Term 1995 enrollment of all 324 institutions representing the population was 1,671 students. The median Fall Term 1995 enrollment of the 48 responding institutions that could be identified by name was 1,816 students.

Based on this analysis, it is likely that sample statistics are in parity with population parameters and that trends identified in this report represent all independent institutions that are members of SACS.

Turnaround time for survey return (based on date received and not date postmarked) is identified in Table 3. Although two months elapsed before the last survey was returned, it is important to note that nearly 70 percent of all surveys were returned in two weeks or less.

The statement *Has your institution conducted an economic impact study in the last three years?* is addressed in Table 4. Nearly 70 percent (N = 51 of 73) of all survey respondents indicated that they had not conducted an economic impact study in the last three years. Of the 21 institutions that had conducted an economic impact study in the last three years, 95 percent (N = 20 of 21) responded to the statement *Please indicate the usefulness of the economic impact study* (Table 5). Using a Likert scale of 1 (Not Useful) to 5 (Useful), 86 percent of all respondents rated the usefulness of an economic impact study as either a "4" or a "5."

Survey respondents were also asked to indicate the multiplier used, if their institution had recently conducted an economic impact study. For those who are not acquainted with this economic term, Taylor (1990, p. 40) offered an exceptionally lucid discussion of an economic multiplier and the impact of a multiplier on a local economy:

> The method of estimating the total economic impact of [any higher education institution] is essentially an application of a multiplier model in which direct spending, that is money that flows into the area from other areas, is subsequently respent within the area by the initial recipients. The respending process continues in successive rounds, from each of which there are leakages into the 'external' economy until the amount respent is approximately zero. [ ] The ratio between the initial injection and the total spending is termed the value of the multiplier.

There was a bi-modal response to this statement, with 18 percent of all respondents indicating that a multiplier ranging from 2.0 to 2.4 was used and another 18 percent of all respondents indicating that a more liberal multiplier of 3.0 or greater was used (Table 6). However, it should be noted that nearly 46 percent of all respondents marked *Unknown*, indicating that they did not know the multiplier used in their recent study.

Survey respondents were asked to react to the statement *Do you plan to conduct an economic impact study in the next three years?* As shown in Table 7, reaction to this statement was nearly equally divided, with approximately one-half of all respondents indicating that they did not plan to conduct an economic impact study in the next three years and approximately one-half of all respondents indicating that they planned to conduct an economic impact study in the next three years.

However, there was variance in this response between institutions that had recently conducted an economic impact study and their counterparts who had not recently engaged in this activity:

- Of the 51 institutions that had not conducted an economic impact study in the last three years (Statement 1), 46.0 percent indicated that they planned to conduct an additional economic impact study in the next three years, either individually (40.0 percent) or in collaboration with other institution(s) (6.0 percent).

- Of the 21 institutions that had completed an economic impact study in the last three years, 61.9 percent indicated that they planned to conduct an additional economic impact study in the next three years, either individually (42.9 percent) or in collaboration with other institution(s) (19.0 percent).

Clearly, institutions with prior involvement in the preparation of an economic impact study find the results useful and they plan to continue in this process.

As presented in Table 8, in terms of intended audience, there are clear differences between institutions that had recently conducted an economic impact study and their counterparts who have not recently engaged in this activity in terms of intended audience. For each group (alumni, civic groups, colleagues, faculty, legislators, media/press, students, other), respondents from institutions that had conducted an economic impact study in the last three years indicated wide dissemination of outcomes from the economic impact study. Based on responses from presidents of institutions that had recently completed an economic impact study, identified groups receiving 50 percent or more response as an intended audience for the report include the following:

- Civic-groups ..... 76.2 percent response

- Media/press ..... 71.4 percent response

- Legislators ..... 66.7 percent response
- Alumni ..... 61.9 percent response

Further comparisons between respondents from institutions that had recently conducted an economic impact study and their counterparts that had not recently engaged in this activity are highlighted in Table 9. Among the many observations from statistics presented in this table, it appears:

- Both groups offered high ratings on how an economic impact study broadens community understanding of the local monetary benefits of an independent institution.
- Respondents from institutions that did not have recent experience in this type of study offered higher ratings on the usefulness of an economic impact study, than their counterparts, for institutional planning and decision-making and fiscal management.
- Respondents from institutions with recent experience in this type of study indicated that they are more likely to employ staff with sufficient expertise in this area than their counterparts without such recent experience.
- Respondents from institutions with recent experience in this type of study also perceived more usefulness than their counterparts on how an economic impact study can be linked to the identification of institutional effectiveness measures.

SUMMARY

Based on the results of this study, the presidents of independent institutions that recently engaged in completion of an economic impact study see the benefits of this activity. Within the next three years, over 60 percent of these presidents indicated that they plan to invest resources into an updating of outcomes gained from this type of activity. These presidents offered exceptionally high ratings of how an economic impact study can serve as a useful communication tool with a wide variety of audiences, including the public, students and parents, alumni, supporters, business leaders, civic groups, legislators, and the media.

Conversely, only 46 percent of the presidents of independent institutions that had not recently engaged in completion of an economic impact study plan to pursue this type of research activity in the next three years. It is interesting to note, however, that these presidents are not necessarily less responsive to the perceived value of this activity than their counterparts at institutions that had recent involvement with an economic impact study. As identified in Table 9, the presidents of institutions that had not recently engaged in completion of an economic impact study were very positive about the perceived value of how an economic

impact study can be used to communicate with the community and also assist in planning, decision-making, and fiscal management.

In a recent sub-analysis of time-on-task activities, it was estimated that over a four-month period, a consultant would require 240 hours of direct engagement to complete and prepare a comprehensive economic impact study of an educational institution (MacFarland and Yates, 1997). With this statistic in mind, it was interesting to note the extreme variance in enrollment, and the assumed related staffing and infrastructure, between the two groups examined in this study:

- Of the 51 institutions that identified that they had not completed an economic impact study in the last three years, the median Fall Term 1995 enrollment was 768 students and the mean Fall Term 1995 enrollment was 1,182 students.

- Of the 21 institutions that identified that they had completed an economic impact study in the last three years, the median Fall Term 1995 enrollment was 2,142 students and the mean Fall Term 1995 enrollment was 3,157 students.

Although the presidents of both groups generally see the positive value of an economic impact study, the presidents of larger independent institutions have the resources needed to prepare an economic impact study: the presidents of smaller independent institutions do not have access to the same resources. This notion of how enrollment impacted the ability of an institution to conduct an economic impact study was further tested by comparing Pearson correlation coefficients of Fall Term 1995 enrollment against survey statements 6 to 10, which were worded to focus on issues that determine if resources will likely be used to prepare an economic impact study:

- Fall Term 1995 enrollment and expertise of local employees to conduct an economic impact study

  Pearson's r = 0.33 (p = .02)

- Fall Term 1995 enrollment and community understanding of the local monetary benefits of an independent institution

  Pearson's r = 0.08 (p = .60)

- Fall Term 1995 enrollment and usefulness of an economic impact study with fiscal management

  Pearson's r = - 0.06 (p = .72)

- Fall Term 1995 enrollment and linkage of an economic impact study to institutional planning and decision-making activities

  Pearson's r = - 0.05 (p = .73)

- Linkage of an economic impact study to identification of institutional effectiveness measures

  Pearson's r = 0.03 (p = .85)

Clearly, as judged by the presidents of independent colleges and universities, as an independent institution increases in enrollment it also increases in the expertise of local employees able to conduct an economic impact study (p = .02) All other correlations failed to show significance (alpha $\leq$ .05), indicating that enrollment and employee expertise were the only factors that were associated with each other.

RECOMMENDATIONS

This singular significant correlation of enrollment to expertise of local employees to conduct an economic impact study brings to attention the immediate concern that smaller independent institutions simply do not have employees with the expertise needed to conduct an economic impact study. However, the presidents of these smaller independent institutions share with their peers at larger independent institutions the judgment that an economic impact study can serve as a useful tool for communication with the public and management of institutional resources. There was also agreement that an economic impact study could be used to identify measures of institutional effectiveness, a critical concern in view of SACS criteria for accreditation. To resolve the problem on how independent institutions with limited resources can engage in the preparation of an economic impact study, two immediate recommendations are offered on how smaller independent institutions can gain the benefit of an economic impact study at a reasonable cost:

1. Smaller independent institutions may want to conduct joint economic impact studies with either neighboring institutions or peer (i.e., affiliated) institutions. By forming this type of research partnership with others, these institutions will be able to enjoy economies of scale that they would individually never gain. MacFarland (1996) illustrated how 22 independent institutions in Florida collaborated on an economic impact study. In addition to cost savings to individual institutions, this joint economic impact study had wide dissemination and acceptance as it was used to support justification for additional funds for independent postsecondary education from the legislature.

2. The presidents of smaller institutions should also consider outsourcing the preparation of an economic impact study to private consultants on a periodic basis, possibly every five years. This periodic outsourcing will provide the

needed information about economic impact without placing undue constraints on yearly budgets. In addition, there are many compelling reasons to justify the outsourcing of this type of activity to a third party, largely to add a degree of distant objectivity to the study and increase acceptance.

These recommendations should increase the opportunity for independent institutions of higher education to communicate their positive impact on local economies and compete with larger institutions for public support. With increased pressures on budgets because of the continuing growth of accountability and reporting requirements, this investment in an economic impact study can yield considerable gain at reasonable cost.

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APPENDIX A

COVER LETTER AND SURVEY

P.O. Box 786
Boca Raton, Florida 33429

February 14, 1997

Dear President -----

The lack of recognition of the economic benefits of independent post-secondary education demands that more information be gathered about the use of the economic impact study as a communication tool for independent colleges and universities. America's independent colleges and universities are widely known for their commitments to teaching, research, and community service, and, though no one would dispute their educational, social, and cultural contributions, the public, including legislators, often overlook the economic value and impact of independent post-secondary education.

We know that state university system institutions have a 30-year history of using economic impact studies to generate favorable information to provide to business leaders and local and state legislators. Conversely, often due to limited resources, independent colleges and universities have a limited history of using this same tool to strategic advantage. Therefore, we are conducting this survey to quantify how key decision-makers view the usefulness of economic impact studies and to what degree independent colleges and universities use economic impact studies.

As the president of an independent institution, your input on the usefulness of economic impact studies is very valuable. We ask that you complete the enclosed survey of ten statements about the use of economic impact studies and return the survey in the enclosed envelope. We plan to share the results of this study with the professional community in a journal article.

In advance, thank you for your cooperation and willingness to participate. Please be sure to indicate on the survey if you wish to receive an executive summary of results.

Sincerely,

Thomas W. MacFarland

Jan M. Yates

Economic Impact Study Survey

Directions: Check or circle the most appropriate response for each statement.

1. Has your institution conducted an economic impact study in the last three years?

   __ No __ Yes, individually __ Yes, in collaboration with other institution(s)

2. If you answered Yes to #1 (either individually or in collaboration), please indicate the usefulness of the economic impact study.

1	2	3	4	5
Not Useful		No Opinion		Useful

3. If you answered Yes to #1 (either individually or in collaboration), please indicate the multiplier used in the economic impact study:

__	Less than 1.0	__	2.0 to 2.4	__	Unknown
__	1.0 to 1.4	__	2.5 to 2.9		
__	1.5 to 1.9	__	3.0 or greater		

4. Do you plan to conduct an economic impact study in the next three years?

   __ No __ Yes, individually __ Yes, in collaboration with other institution(s)

5. If you have conducted, or plan to conduct, an economic impact study please indicate the intended audiences for the economic impact study. Check all selections that apply.

__	Alumni	__	Faculty	__	Students
__	Civic groups	__	Legislators	__	Other
__	Colleagues	__	Media/press		

6. An economic impact study broadens community understanding of the local monetary benefits of an independent institution.

1	2	3	4	5
Disagree		No Opinion		Agree

Please turn to the other side of this page.

7. An economic impact study guides institutional planning and decision-making activities.

1	2	3	4	5
Disagree		No Opinion		Agree

8. An economic impact study assists in the fiscal management of an institution.

1	2	3	4	5
Disagree		No Opinion		Agree

9. This institution has employees with sufficient expertise to conduct an economic impact study.

1	2	3	4	5
Disagree		No Opinion		Agree

10. An economic impact study can also be linked to the identification of institutional effectiveness measures.

1	2	3	4	5
Disagree		No Opinion		Agree

Again, thank you for your cooperation. Please include your name and address if you wish to obtain a summary of results, which should be available by July 1, 1997.

Name _____

Institution _____

Address _____

_____

_____

February 1997

APPENDIX B

TABLES

Table 1

Representation of Responding Sample by State

Population			Responding Sample		
State	N	% of Population	State	N	% of Sample
Alabama	16	4.4	Alabama	5	10.4
Florida	33	10.2	Florida	4	8.3
Georgia	37	11.4	Georgia	4	8.3
Kentucky	26	8.0	Kentucky	5	10.4
Louisiana	11	3.3	Louisiana	5	10.4
Mississippi	11	3.3	Mississippi	3	6.3
North Carolina	41	12.7	North Carolina	6	12.5
South Carolina	21	6.5	South Carolina	1	2.1
Tennessee	40	12.3	Tennessee	6	12.5
Texas	56	17.3	Texas	4	8.3
Virginia	32	9.9	Virginia	5	10.4
TOTAL	324		Identified	48	

Note. For all 73 returned surveys, 34.2 percent (N = 25 of 73) of all institutions did not identify an address on the request for executive summary and, therefore, are not included in number of institutions identified by state.

Table 2

Representation of Responding Sample by Enrollment

Population		Responding Sample	
Measure of Central Tendency		Measure of Central Tendency	
Median	1,091	Median	1,018
Mean	1,671	Mean	1,816
Range	28 to 13,941	Range	63 to 11,511

Note. For the population, enrollment statistics are for Fall Term 1995, the last reporting year for which Integrated Postsecondary Education Data System (IPEDS) data are currently available to the public. For the responding sample, measure of central tendency statistics are based on the 48 institutions that identified an address on the request for a copy of the executive summary, and, therefore, self-identified the name of the institution.

Table 3

Turnaround Time for Survey Return

Days for Survey Return	N	% of Total	Cumulative Total
6	1	1.4	1.4
7	7	9.6	11.0
8	1	1.4	12.3
10	29	39.7	52.1
12	6	8.2	60.3
13	4	5.5	65.8
14	3	4.1	69.9
15	6	8.2	78.1
17	1	1.4	79.5
18	5	6.8	86.3
19	1	1.4	87.7
20	1	1.4	89.0
24	2	2.7	91.8
27	1	1.4	93.2
28	1	1.4	94.5
31	1	1.4	95.9
34	1	1.4	97.3
53	1	1.4	98.6
61	1	1.4	100.0

Note. On February 14, 1997, surveys were mailed to an invited sample of 175 presidents of independent postsecondary institutions in the 11 states represented by SACS.

Table 4

Level of Involvement with the Economic Impact Study in the Last Three Years

Level of Involvement	N	% of Total
An institution that has not conducted an economic impact study in the last three years	51	69.9
An institution that individually completed an economic impact study in the last three years	17	23.3
An institution that, in collaboration with other institution(s), completed an economic impact study in the last three years	4	5.5
No response to this statement	1	1.4

Table 5

Perceived Usefulness of an Economic Impact Study

Rating		N	% of Total
Not Useful	1	0	0.0
	2	2	9.5
No Opinion	3	1	4.8
	4	12	57.1
Useful	5	5	28.6

Note. Survey recipients were instructed to respond to this statement only if their institution had conducted an economic impact study in the last three years. Accordingly, responses to the perceived usefulness of an economic impact study are from those institutions recently involved in this endeavor.

Regarding measures of central tendency, Mode = 4, Median = 4, and Mean = 4.05 (SD = 0.87)

Table 6

Multiplier Used in the Recently Completed Economic Impact Study

Multiplier	N	% of Total
Less than 1.0	0	0.0
1.0 to 1.4	1	4.5
1.5 to 1.9	1	4.5
2.0 to 2.4	4	18.2
2.5 to 2.9	2	9.1
3.0 or greater	4	18.2
Unknown	10	45.5

Table 7

Plans to Conduct an Economic Impact Study in the Next Three Years

Current Plans	N	% of Total
An institution that is not planning to conduct an economic impact study in the next three years	35	47.9
An institution that is planning to individually conduct an economic impact study in the next three years	29	39.7
An institution that is planning to conduct an economic impact study in the next three years in collaboration with other institution(s)	7	9.6
No response to this statement	2	2.7

Note. Of the 51 institutions that had not conducted an economic impact study in the last three years (Statement 1), 46.0 percent indicated that they planned to conduct an additional economic impact study in the next three years, either individually (40.0 percent) or in collaboration with other institution(s) (6.0 percent).

Of the 21 institutions that had completed an economic impact study in the last three years, 61.9 percent indicated that they planned to conduct an additional economic impact study in the next three years, either individually (42.9 percent) or in collaboration with other institution(s) (19.0 percent).

Table 8

Intended Audiences for an Economic Impact Study

Intended Audience	An Institution That Has Conducted an Economic Impact Study in the Last Three Years	An Institution That Has Not Conducted an Economic Impact Study in the Last Three Years
	% Response Yes	% Response Yes
Alumni	61.9	41.2
Civic groups	76.2	47.1
Colleagues	38.1	25.5
Faculty	47.6	33.3
Legislators	66.7	41.2
Media/press	71.4	39.2
Students	33.3	31.4
Other	28.6	17.6

Table 9

Local Issues about an Economic Impact Study

Statement	An Institution That Has Conducted an Economic Impact Study in the Last Three Years		An Institution That Has Not Conducted an Economic Impact Study in the Last Three Years	
	Measure of Central Tendency		Measure of Central Tendency	
An economic impact study broadens community understanding of the local monetary benefits of an independent institution	Mode	5	Mode	5
	Median	4	Median	4
	Mean	4.6	Mean	4.5
	SD	0.6	SD	0.9
An economic impact study guides institutional planning and decision-making activities	Mode	4	Mode	4
	Median	4	Median	4
	Mean	3.3	Mean	3.6
	SD	1.3	SD	1.1
An economic impact study assists in the fiscal management of an institution	Mode	4	Mode	4
	Median	3	Median	4
	Mean	3.0	Mean	3.6
	SD	1.2	SD	1.3

Table 9 (Continued)

	Mode	4	Mode	4
	Median	4	Median	4
This institution has employees with sufficient	Mean	3.9	Mean	3.3
expertise to conduct an economic impact study .	SD	1.2	SD	1.5
	Mode	4	Mode	4
An economic impact study can also be linked to	Median	4	Median	4
the identification of institutional effectiveness	Mean	3.8	Mean	3.6
measures	SD	0.7	SD	1.3